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A concession to the paper theory—A new scheme of metallic money that abandons automatic regulation and acknowledges the interference of government to be necessary to secure steadiness in the value of money.

The world has generally favored, theoretically if not practically, the automatic metallic system, and adjusted its business to it. Some nations adopted one metal as their standard, and some the other, and some adopted both. Those that adopted both metals served as a balance-wheel to steady with exactness their relative value. The practical effect of all this was the same as if all nations had adopted both, because it secured the entire stock of both at a fixed equivalency for the transaction of the business of the world. While some nations have changed their money metal, or, having had paper money, have resumed specie payments in one metal, the policy of a general demonetization of one of the metals was first broached only about twenty years ago. About ten years later, a formidable propaganda was organized to fasten that policy upon the commercial world.

This new school of financial theorists advocate the retention of metal as the material of money, but favor its subjection to governmental interference in every respect. Whenever new mines are discovered, or old ones yield or promise to yield more abundantly, instead of freely accepting their product in accordance with the automatic theory, they advocate its rejection through the restriction or the absolute prohibition of the coinage of either or both metals, or through the limitation or the abolition of the legal tender function of one of them. Whenever the interests of the creditor and income classes seem to be in danger of being impaired by an increase in the volume and decrease in the value of money, or, in other words, by a general rise in prices, these modern theorists are clamorous in double standard countries for the demonetization of one of the money metals, and in single standard countries for the shifting of the money function from the metal which promises the most to the one that promises the least abundant supply. They are extremely anxious for the retention of the *material* of which the money standard is composed when such material is rising in value, and prices are falling, and exceedingly apprehensive of the evil and inconvenience which they predict as sure to result from changing it. Whenever a fall in prices occurs through either a natural or artificial contraction in the volume of money, they maintain that it is due to antecedent inflation and extravagance, or to overproduction through persistent and reckless industry. If the contraction be natural, that it cannot be helped, and if artificial, that though it may inflict great temporary losses on the masses of the people, it will be sure to result in their ultimate benefit, and they console the sufferers with the comforting assurance that such contraction is necessary in order to reach the lowest depths of that "*hard-pan*" whose foundations they have previously determined by demonetizing one of the metals, and upon which alone they claim that money, capital, and labor can securely and harmoniously rest. But when the material composing the standard is falling in value and prices are rising, they immediately discover that the maintenance of the *value* of the standard is the all-important consideration, and that its material is of no importance whatever and should be at once changed to "*redress the situation.*" After having reduced one of the metals to a commodity by depriving it of the money function, these theorists complacently point to the resulting fluctuations in its value as a justification of the act producing them, and as a conclusive proof of the unfitness for money of the demonetized metal.

This system retains all that is mischievous in both of the other systems, and rejects all that is advantageous in either. Metallic money, on this theory, is no longer automatic, but is as completely subjected to governmental control for all injurious purposes as paper money. But, unlike paper money, the control over this kind of metallic money can only be exercised in the baneful direction of decreasing its volume, and thereby making property cheaper and money scarcer and dearer.

This is a one-sided system, which can operate only in the interest of the security creditor, the usurer, and pawnbroker, whom it enables, through the falling prices which itself occasions, to swallow up the shrunken resources of the debtor, but is impotent to protect the interests of the unsecured business creditor, the debtor, or society, when, from any cause, the supply of the money metals becomes deficient.

The world has expended a vast amount of labor in the production of the precious metals, and has made great sacrifices in upholding the automatic metallic system of money, and has a right to insist that it shall be consistently let alone to work out its own conclusions, or that it be abandoned.

If the world, or any considerable portion of it, should follow the teachings of this new school of economists and discard one metal and one-half of the automatic theory, it need not surprise them if the resulting financial and commercial disasters should teach and enforce the policy of discarding the other half of the theory and the other metal, and of establishing some system of money, however unscientific, under which all classes and interests could at least have an equal chance of protection.

THE DIFFERENT EFFECTS PRODUCED BY AN INCREASING, DECREASING AND STEADY VOLUME OF MONEY.

Effects of an increasing volume of money.

Whenever gold and silver prices have become adjusted to a given stock of those metals, an increase of that stock, other things remaining unchanged, will cause a rise, and a decrease will cause a fall in prices. But under such conditions other things never do remain unchanged. There are powerful causes, moral and material, which invariably operate, when money is increasing in volume, to moderate the rise in prices, and to intensify their fall when it is decreasing. Hence, the fall in prices caused by a decreasing volume of money would be much greater in degree than would be the rise caused by a proportionately increasing volume.

Whenever it becomes apparent that prices are rising and money falling in value in consequence of an increase of its volume, the greatest activity takes place in exchanges and productive enterprises. Every one becomes anxious to share in the advantages of rising markets. The inducement to hoard money is taken away, and consequently the disposition to hoard it ceases. Its circulation becomes exceedingly active, and for the very plain reason that there could be no motive for holding or hoarding money when it is falling in value, whilst there would be the strongest possible motive for exchanging it for property, or for the labor which creates property, when prices are rising. Under these circumstances labor comes into great demand, and at remunerative wages. This results in not only increased production, but increased consumption. The wants and expenditures of laborers increase with their earnings. Large enterprises, safe and unsafe, are at such times inaugurated by eager adventurers, and as frequently as otherwise upon insufficient capital.

If, however, the volume of money should increase in undue proportion to the new demands for it so as to cause a continuous and persistent rise in prices, it would encourage gambling in prices instead of encouraging production, and would end in the destruction of that industry which it at first stimulated. Such would be the haste to convert money into property that the price of all forms of property would advance more rapidly than the wages of labor. The laborer, excited by the apparent increase in the value of everything, would soon become discontented with the slow accumulations of his increased wages. Using his surplus earnings as a basis of credit, which is readily extended upon small margins when prices are rising, he would leave the field of productive industry for the illusory but more inviting field of speculative venture.

An increasing volume of money sometimes needed, after long periods of prostration.

It may, however, be possible that when industry has been dwarfed, commerce paralyzed, and the spirit of enterprise crushed out by a long-continued shrinkage in the volume of money and falling prices, the stimulus of rising prices would be a necessary temporary treatment.

At the Christian era the metallic money of the Roman empire amounted to $1,800,000,000. By the end of the fifteenth century it had shrunk to less than $200,000,000. During this period a most extraordinary and baleful change took place in the condition of the world. Population dwindled, and commerce, arts, wealth and freedom all disappeared. The people were reduced by poverty and misery to the most degraded conditions of serfdom and slavery. The disintegration of society was almost complete. The conditions of life were so hard that individual selfishness was the only thing consistent with the instinct of self preservation. All public spirit, all generous emotions, all the noble aspirations of man shriveled and disappeared as the volume of money shrunk, and as prices fell.

History records no such disastrous transition as that from the Roman empire to the dark ages. Various explanations have been given of this entire breaking down of the frame work of society, but it was certainly coincident with a shrinkage in the volume of money, which was also without historical parallel. The crumbling of institutions kept even step and pace with the shrinkage in the stock of money, and the falling of prices. All other attendant circumstances than these last have occurred in other historical periods unaccompanied and unfollowed by any such mighty disasters. It is a suggestive coincidence that the first glimmer of light only came with the invention of bills of exchange and paper substitutes, through which the scanty stock of the precious metals was increased in efficiency. But not less than the energizing influence of Potosi and all the argosies of treasure from the new world were needed to arouse the old world from its comatose sleep, to quicken the torpid limbs of industry, and to plume the leaden wings of commerce. It needed the heroic treatment of rising prices to enable society to reunite its shattered links, to shake off the shackles of feudalism, to relight and uplift the almost extinguished torch of civilization. That the disasters of the dark ages were caused by decreasing money and falling prices, and that the recovery therefrom and the comparative prosperity which followed the discovery of America were due to an increasing supply of the precious metals and rising prices, will not seem surprising or unreasonable when the noble functions of money are considered. Money is the great instrument of association, the very fiber of social organism, the vitalizing force of industry, the protoplasm of civilization, and as essential to its existence as oxygen is to animal life. Without money, civilization could not have had a beginning; with a diminishing supply it must languish, and, unless relieved, finally perish.

Symptoms of disaster similar to those which befell society during the dark ages were observable on every hand during the first half of this century. In 1809 the revolutionary troubles between Spain and her American colonies broke out. These troubles resulted in a great diminution in the production of the precious metals, which was quickly indicated by a fall in general prices. As already stated in this report, it is estimated that the purchasing power of the precious metals increased between 1809 and 1848 fully 145 per cent., or, in other words, that the general range of prices was 60 per cent. lower in 1848 than it was in 1809. During this period there was no general demonetization of either metal and no important fluctuation in the relative value of the metals, and the supply was sufficient to keep their stock good against losses by accident and abrasion. But it was insufficient to keep the stock up to the proper correspondence with the increasing demand of advancing populations. The world has rarely passed through a more gloomy period than this one. Again do we find falling prices and misery and destitution inseparable companions. The poverty and distress of the industrial masses were intense and universal, and, since the discovery of the mines of America, without a parallel. In England the sufferings of the people found expression in demands upon parliament for relief, in bread-riots, and in immense Chartist demonstrations. The military arm of the nation had to be strengthened to prevent the all-pervading discontent from ripening into open revolt. On the continent the fires of revolution smoldered everywhere and blazed out at many points, threatening the overthrow of states and the subversion of social institutions.

Whenever and wherever the mutterings of discontent were hushed by the fear of increased standing armies, the foundations of society were honey-combed by powerful secret political associations. The cause at work to produce this state of things was so subtile, and its advance so silent, that the masses were entirely ignorant of its nature. They had come to regard money as an institution fixed and immovable in value, and when the price of property and the wages of labor fell, they charged the fault, not to the money, but to the property and the employer. They were taught that the mischief was the result of over-production. Never having observed that over-production was complained of only when the money stock was decreasing, their prejudices were aroused against labor-saving machinery. They were angered at capital, because it either declined altogether to embark in industrial enterprises or would only embark in them upon the condition of employing labor at the most scanty remuneration. They forgot that falling prices compelled capital to avoid such enterprises on any other condition, and for the most part to avoid them en-